Date: August 14, 2013

To: Transit Service Delivery Advisory Committee

From: Department of Rail and Public Transportation Staff

Subject: Performance-Based Operating Assistance Allocation Implementation Plan

OVERVIEW

As requested by the Transit Service Delivery Advisory Committee (TSDAC) on July 1, 2013, the Department of Rail and Public Transportation (DRPT) staff has prepared a performance-based funding allocation implementation plan that will distribute transit operating assistance funding above $160M through a phased approach. The first phase will consist of a mid-year performance-based operating assistance allocation for FY 2014; performance will be based on the percent change between FY 2011 and FY 2012. The second phase will include a full year performance-based funding allocation for FY 2015; performance will be based on a rolling average using FY 2011, FY 2012, and FY 2013 performance data. Phase I and Phase II will base the operating assistance funding allocation on a performance-based model that incorporates agreed upon performance measures, as defined by the Federal Transit Administration (FTA) and published in the DRPT Grantee Handbook; the performance-based model will utilize the certified performance data that have been collected and reported by the transit providers. The third phase may implement recommended longer term strategies to ensure data integrity, appropriate sizing of systems, and potential benchmarking for transit systems that have marginal room for improvement in their performance. The third phase may maintain the performance-based operating assistance allocation model used in the phase I and phase II, and implement the phase III data collection standards, methodology, and accountability recommendations.

As agreed upon at the July 1, 2013 TSDAC meeting, the theory of test model number 11 will be used in allocating operating assistance in FY 2014 and FY 2015 based on performance and henceforth referred to as the TSDAC performance-based operating assistance allocation model. Any changes to the TSDAC performance-based operating assistance allocation model for ensuing years must be in place no later than September 30 of each year. Public involvement, including a 45-day public comment period, may be held to present the proposed changes prior to final approval by the Commonwealth Transportation Board (CTB). As such, the TSDAC must meet at least on an annual basis and no later than May of each year to review the model and make any recommended modifications.

PERFORMANCE METRICS
The performance metrics used in the TSDAC performance-based operating assistance allocation model and the percent of available funding that will be allocated to each metric are defined below:

Net Cost per Passenger (50%): Total operating costs less depreciation and any operating income derived from a source other than taxpayers divided by ridership. (An example of a non-operating income item would be interest income.)

Customers per Revenue Hour (25%): Ridership divided by revenue hours

Customers per Revenue Mile (25%): Ridership divided by revenue miles

Transit System Sizing: Based equally on the most recent annual ridership and most recent audited operating cost available net of depreciation, projects funded in other DRPT programs, and non-transit related expenses

RELATED DEFINITIONS:
Operating Cost (system sizing and performance metric) and Ridership
The operating cost and ridership, as defined below, will be used to size each transit operator relative to all transit operators eligible for state operating assistance in the Commonwealth of Virginia.

- Operating Cost for System Sizing: Most recent audited operating cost available, net of depreciation, projects funded in other DRPT programs, and non-transit related expenses. New transit service will be based on budgeted operating costs for the year of implementation or until audited operating costs are available.
- Operating Cost for Performance Metric: Total operating costs less depreciation and any operating income derived from a source other than taxpayers divided by ridership. (An example of a non-operating income item would be interest income.) New transit service will be based on budgeted operating costs for the year of implementation or until audited operating costs are available.
- Ridership: Unlinked passenger trips.
- Unlinked Passenger Trips: The number of passengers who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

Fixed Route and Commuter Bus Service
The time when a vehicle is available to the general public and there is an expectation of carrying passengers. These passengers either:

- Directly pay fares
- Are subsidized by public policy, or
- Provide payment through some contractual arrangement
- Vehicles operated in fare free service are considered in revenue service. Revenue service includes:
    - Layover / recovery time that has been incorporated into the route schedule
    - Revenue service excludes:

- Deadhead
- Vehicle maintenance testing
- School bus service
- Charter service.

Revenue hours and miles for conventionally scheduled services, are comprised of two elements:

- Running Time: The time it takes your transit vehicle to travel from the beginning to the end of the transit route. Your agency's passenger timetable typically shows the running times for all trips operated by your agency
- Layover and Recovery Time: The layover and recovery time typically is scheduled at the end of each trip and usually ranges from 10 to 20 percent of the running time. The time is scheduled to provide the transit operator a rest break and to provide opportunity to get the transit service back on schedule if it was running late on the last trip.

Demand Response Service

The definition of revenue miles and revenue hours is slightly different than that for conventionally scheduled service.

- Revenue Time: Includes all travel time from the point of the first passenger pick-up to the last passenger drop-off, as long as the vehicle does not return to the dispatching point

Deadhead

Deadhead is the mileage and operating time needed to move your transit vehicle before revenue service begins and after revenue service ends. When transit vehicles are deadheading, they operate closed-door and are not available to passengers. Deadhead in fixed route and/or commuter services can involve travel between:

- The garage and the beginning of a route
- The end of one route and the start of a second route, or
- The end of a route and the garage

Note that bus deadhead includes mileage and time when your vehicle is not advertised as available for the general public, but is traveling to its first publicly advertised stop from the garage or to the garage from the last publicly advertised stop. For a vehicle to be considered in fixed route and/or commuter revenue service there must be a marked stop which is advertised in your schedules and an indication on your bus (e.g., head sign, window board) that it is in revenue service.

For non-fixed route services, deadheading can involve travel between:

- The garage and the dispatching point
- The garage and the first passenger pick-up
- The last passenger drop-off and the dispatching point
- The last passenger drop-off and the garage, or
- The dispatching point and the garage

IMPLEMENTATION PLAN

Phase I – Year 1 Transition Period (FY 2014)

DRPT will prepare a FY 2014 mid-year performance-based operating assistance allocation of new funding above $160M that will be generated beginning on July 1, 2013 as a result of the historic transportation package passed by the 2013 General Assembly.

FY 2014 Mid-Year Performance-Based Operating Assistance Allocation:

- Performance will be based on a self comparison for each grantee based on the percent change from FY 2011 to FY 2012 for the FY 2014 mid-year performance-based operating assistance allocation
- As requested by DRPT staff on July 10, 2013, transit grantees are responsible for reviewing their FY 2011 and FY 2012 performance data and providing any updates to DRPT no later than July 26, 2013. Any transit grantee that does not comply with this deadline will not be eligible for the FY 2014 mid-year performance based allocation
- DRPT staff will review and conduct a comparative analysis between the FY 2011 and FY 2012 performance data. Any transit agency with a change of ten percent or greater between the two fiscal years will be requested to provide an explanation and documentation supporting the change no later than August 15, 2013. Any transit grantee that is requested to provide an explanation and supporting documentation must meet the August 15, 2013 deadline. Any transit grantee that does not comply with this deadline will not be eligible for the FY 2014 mid-year performance based operating assistance allocation

Phase II – Year 2 Transition Period (FY 2015)

Operating assistance funding above $160M in FY 2015 will be allocated based on the same performance-based allocation model, methodology and performance data collection as in the FY 2014 mid-year performance-based operation assistance allocation.

FY 2015 Performance-Based Operating Assistance Allocation

- Performance will be based on a rolling average using FY 2011, FY 2012, and FY 2013 performance data.
- FY 2013 certified performance data must be submitted in OLGA by October 31, 2013 for transit agencies operating on the state fiscal year. For transit agencies operating on a federal fiscal year and transit agencies that are part of a tri-state compact, performance data must be submitted in OLGA by December 31, 2013. If grantees do not provide their data to DRPT by their appropriate deadline they will not be eligible for the FY 2015 performance-based operating assistance allocation.

Phase III - Future Year Allocation (FY 2016 and Beyond)
TSDAC and DRPT staff have identified several items, as discussed below, that will require additional time to fully contemplate, discuss, and test before the TSDAC's performance based operating assistance allocation model for post-FY 2015 allocations will be finalized.

TASK ITEMS:
Performance Model:

Issue: The performance-based operating assistance allocation model as now structured may require refinement, validation, and testing necessary for longer-term implementation.

Action Item: Consultant will provide modeling expertise to evaluate the existing performance based funding allocation model, identify possible refinements, analyze those refinements deemed by TSDAC and DRPT to warrant consideration, validation and testing as necessary. Refinements may include modifications to the size weighting factor, modifications to the performance metrics to address perceived shortcomings of the three performance metrics already present in the model, modifications to safeguard the interests of systems that are already operating at a high level of proficiency so they're not "penalized" for limited self-improvement, and/or the possibility of incorporating a cap on the percent of increase or decrease of funding that any one agency may receive in a fiscal year (all as described more fully later in this discussion).

Consultant will work with DRPT staff and the TSDAC to advance the necessary refinements, attending TSDAC meetings as requested by DRPT and TSDAC. Consultant will provide a final performance-based operating assistance allocation model and technical report no later than June 28, 2014.

Data Collection:

Issue: Data is of paramount importance and must be viewed as such by each transit provider that receives a state operating assistance grant. Data collection must be consistent and certifiable by the grantee and easily verified by DRPT staff. Likewise, the data reporting must be consistent and provided to DRPT on-time by each grantee. Four years of performance data will be required to implement a three-year rolling average, which TSDAC is inclined to favor as a longer-term refinement of the model. Consultant will include in its deliverables recommendations for data collection and reporting, and a transition plan for extending the period of time used for self-comparison of the performance metrics from the two years being employed in FY 2014. As such, the three-year rolling average will be implemented once the data standards have been finalized and four years of data are available.

Action Items:

- Consultants will conduct an assessment of data collection methods and technology that are currently being used by the transit providers. A report will be issued to the TSDAC by March 28, 2014.
- DRPT, with consultant assistance and in consultation with TSDAC, will convene a working group comprised of transit operators to participate in the development of data collection methods and standards, and the preparation of a plan for implementing same. Data reporting standards will be developed to ensure consistency in reporting timeframes and deadlines for submitting performance data to DRPT via the OLGA system that is currently available to all transit grantees. DRPT staff will provide regular updates to the TSDAC with a final report issued by June 30, 2014.
- DRPT staff will establish a DRPT accountability policy to ensure that data is collected, certified and reported by the transit grantee as identified in the data collection standards document. The accountability policy will be issued to TSDAC and all transit grantees by June 30, 2014.

Sizing of Transit Systems:

Issue: Ensuring that systems receive their relative share of funding requires the sizing of systems based on a metric (or weighted metric as TSDAC has chosen for the transition allocation -- operating cost and ridership weighted equally). Stakeholders have asked TSDAC to entertain the possibility of eventually using a metric encompassing more than just operating cost and ridership, reasoning that other measures which address the issues of how much service there actually is on the street (e.g., existing revenue hours, existing revenue miles) and/or how much service there should be on the street based on the character of the service area (examples include, but are not limited to: population, population density, service area size, transit dependent population, etc. – metrics that have been characterized as "input" variables).

Action Item: Consultants will identify other possible size weighting factors and the rationale for the possible inclusion of each as part of a size weighting factor. The product will be presented to TSDAC for review and reaction, leading to the designation of particular size weighting factors (possibly including both input and output metrics) that TSDAC and DRPT considers deserving of further examination. Input metrics that are to be considered but not limited to service area size (sq mile), population, and population density. Output metrics that are to be considered but not limited to peak fleet, revenue hours, revenue miles, and seat miles (data to be provided by each transit operator). These output measures are in addition to operating cost and ridership which are seen as metrics that will be retained in the performance-based operating assistance allocation model. In consultation with TSDAC, DRPT, with consultant assistance, will convene a working group comprised of transit operators to participate in the sizing analysis, as well as review and comment on technical reports and recommendations. DRPT staff will provide regular updates to TSDAC with a final report by March 28, 2014**.**

Exceptional Transit Performance:

Issue: The fundamental premise of performance based funding allocation is to provide a financial incentive to each transit operator to perform better year over year. However, the question remains how well this premise will stand the test of time for transit providers that are currently operating at a very high level of performance. The proposed test model 11 provides incentive based on an individual operator's percentage change in performance metrics as compared to the state average. Therefore, operators that are already at a high level of performance have a relatively small window to show improvement and their percentage improvement will not compare favorably to operators with more substantial opportunities for gains in their metrics. The TSDAC wants to consider including a methodology that rewards current high performers in the current proposed allocation or any other proposed future model.

Action Item: Consultant shall utilize, but not be limited to TCRP 141 and the recommendations put forward thus far in their research and independent recommendations for potential solutions that may be incorporated in the TSDAC performance-based operating assistance allocation model. The recommendations will allow for existing high performance to be rewarded just as other systems are rewarded in the TSDAC performance-based operating assistance allocation model. In consultation with TSDAC, DRPT, with consultant assistance, will convene a TSDAC work group, review and comment of technical reports, and recommendations. DRPT staff will provide regular updates to TSDAC with a final date for completion March 28, 2014.

Other possible performance metrics and grant opportunities

Issue: TSDAC has requested that DRPT examine what other possible performance metrics to more directly gauge congestion mitigation and the fulfillment of transit dependent needs might be considered as additions, and to evaluate the advisability of doing so.

Action Item: In consultation with TSDAC, DRPT staff and consultant will examine possible performance metrics that may be utilized in the performance-based operating assistance allocation model that may result in the desired outcome of congestion mitigation and service to the transit dependent

Issue: TSDAC has requested that DRPT examine the existing DRPT grant funding programs and level of funding available specific to the following areas of interest:

- Technical assistance available for transit agencies to evaluate their performance and provide recommendations for making improvements.
- Implementation of technology that may be required and/or recommended to comply with future performance data collection and reporting standards.

Action Item: In consultation with TSDAC, DRPT staff and consultant will convene a TSDAC work group to examine the existing DRPT grant funding programs and level of funding available that are specific to technical assistance, implementation of technology. A report will be generated detailing the findings of the analysis and provide recommendations to maximize existing programs and/or develop new grant programs. DRPT staff will provide regular updates to TSDAC with a final date for completion by March 28, 2014.

SB1140 MILESTONE SCHEDULE FOR PHASE ONE:

July 29, 2013 - TSDAC meeting to finalize Performance-Based Funding Allocation Implementation Plan

August 16, 2013 – 45-Day Public Comment Period Begins

August 22, 2013 – TSDAC meeting to finalize Capital Allocation Plan

September 9, 2013 – TSDAC meeting to present findings to DRPT Director

September 18, 2013 – Commonwealth Transportation Board (CTB) Presentation of Draft SB1140 Recommendations (Fredericksburg)

September 18, 2013 – Public Hearing (Richmond, VA – VDOT Auditorium 5:30 PM – 7:30 PM)

September/October, 2013- Senate Committee on Finance, House Appropriations Committee, and Senate and House Committees on Transportation briefings

October 1, 2013 – Public Comment Period Ends

October 16, 2013 – CTB – SB1140 Action

October 16, 2013 – SYIP amendment for FY14 operating funds

NOTE: Meeting dates and times with the Senate and House Finance Committees are forthcoming